



For Immediate Release

September 4, 2007

**Floor Statement of Senator Judd Gregg
On Nomination of
Jim Nussle to be Director of the Office of Management and Budget
September 4, 2007
(Unofficial Transcript)**

I wish to rise on behalf of supporting Congressman Nussle, who's been nominated to be head of OMB.

I also want to thank the Chairman of the Budget Committee for the courteous and professional way, as he always proceeds in bringing this nomination forward. He could have slow-walked it. He could have held it up. He did not. And I appreciate that, and I know that members on our side appreciate that, and that is the approach that he has taken as Chairman. He's always been fair. And we do appreciate that very much. I would note that in his closing statement, he called for bipartisanship, and it was a bipartisan act on his part to report Mr. Nussle out. It would even be another bipartisan act if he voted for Mr. Nussle. That would be a truly bipartisan act.

Let me note the debate is not about Congressman Nussle or his qualifications as Chairman of the Budget Committee in the House. He clearly is qualified to do the job. It is the President's prerogative to pick whoever he wants for OMB Director, an arm of the White House. He has tremendous latitude in this area, in my humble opinion.

So this is a debate about where the two parties stand on economic policy. There are significant differences here. All we need to do is to return to the scene of the crime, otherwise known as the Democratic budget, which passed this Congress. A budget which dramatically increased taxes by \$900 billion; a budget that dramatically increased spending on the discretionary side by \$22 billion this year and \$205 billion over the term of the budget; a budget which did not address, or even attempt to address, the most significant problem we have on the spending side, which is the issue of how we deal with the retirement of the Baby Boom generation and the programs which benefit that generation -- Medicare, Social Security specifically, Medicaid to a lesser degree. Those programs are going to drain our children's and our grandchildren's opportunity to be successful and have quality lifestyles - the cost of the programs will overwhelm the next generation because we will have done nothing, as a result of the budget that passed this Congress under the Democratic leadership, to address the issues.

Before we return to that issue, let me simply highlight a few points which have been spun a little bit by the other side of the aisle, which is the issue of what these tax cuts that were put in place by this President at the beginning of his term have done and how the economy is growing. First, as a result of these tax cuts, in large part, and as a result of the economic policies of the Administration, we have seen 23 consecutive quarters of economic growth, which is a pretty good experience for our nation. In addition, we have added 8.3 million jobs. In fact, the real compensation of Americans has grown faster during the term of this President than it did under the term of President Clinton.

In addition, we have seen revenues that are now exceeding the historic projections by significant amounts. We have seen, in the last four years, revenue increases to the federal government which have outstripped anything in our history as a percentage of growth. Historically revenues to the federal government have been 18.2% of gross national product and now they are around 18.6% and they are continuing to go up. What has caused the huge influx of revenues to the federal government? We put in place a fair tax policy which said to entrepreneurial Americans, to working Americans, 'go out, invest, take risk, make this economy grow, create jobs.' As a result of saying that to American entrepreneurs and to working Americans, we have seen this economic expansion and it is an economic expansion that has not only benefited the average American by giving them a better job and more jobs and higher income rate of growth, but obviously benefited the federal government because the U.S. Treasury has seen a huge influx in revenues from this economic growth which has been energized in large part by the tax cuts put in place in the early part of this Administration.

Now we see a policy coming forward from the other side of the aisle, as defined by their budget, which they admit increased taxes by \$400 billion over five years and arguably increases them by \$900 billion. Where are the revenues coming from? If you listen to the Chairman of the Budget Committee, they will come from collecting money, from waste and fraud. That is classic obfuscations. The simple fact is we heard from the IRS commissioner. He said he could not collect any more than maybe \$20 or \$30 million in addition to the revenues we are collecting over five years. That's nowhere near \$400 billion or \$900 billion.

You also have to listen to the Democratic Party's leadership, not that the Senator from North Dakota is not a leader -- he is and he is one of the best leaders -- but the people who are running for President, what are they proposing? They are proposing primarily that we eliminate the capital gains rate put in place and the dividend rate put in place. Those are the two primary places they propose raising revenues, but also propose raising the national tax rates, and the proposal of Senator Levin requires we expense options at their book price rather than their strike price for tax purposes, and they propose the repeal of carried interest, which is a way that entrepreneurs invest and take advantage of that investment and it generates more investment. And they are proposing to eliminate deferral.

We have proposal after proposal after proposal coming out of the Democratic candidates for President, almost at a rate which makes your head spin. The only things coming out faster are proposals to spend money. Believe me, we know, because in New Hampshire we are listening to all of this. I had the good fortune, or the fortune, to listen to the Senator from New York, followed by the Senator from Illinois, followed by the Senator from North Carolina, and I listened to all three speeches and I could not keep up with how much money they were going to spend. It was like watching a whirly-gig: every ten seconds, new program, new program, new program, new program, followed by taxes, taxes, taxes.

One thing we should have learned from the experience of President Kennedy, President Reagan, and now President Bush, when you start to raise taxes on those who are willing to take risk and invest and as a result create jobs in this economy, you slow the rate of growth of the economy. Why is that? It's human nature. You also slow the rate of revenues to the federal government. Why is that? It's human nature. You raise taxes on people and they'll change their economic activity to try to avoid taxes. It has been proven year in and year out. Set rates at an unreasonable level and people do not invest in things that are taxed, so fewer jobs are created and less economic activity occurs.

Increase taxes and people will invest in a way to avoid paying taxes and, thus, the revenues to the federal government drop off. OMB and JCT both estimated when this capital gains rate was put in place at 15% that over five years there would be \$3 billion lost. They used 1950 economics, they used Galbraith-thought, Princeton-thought on what economics is, which basically says if you raise taxes you get more revenues. They missed the Chicago school, I think. They missed the Kennedy school and I mean John Kennedy, himself, the President. And they missed the Reagan school that proved when you cut taxes on productive activity to a reasonable level, you create more productive activity. So instead of a \$3 billion loss in revenue over five years, which is what we were told we would have, we would have \$100 billion increase over the estimates over that period in capital gains revenue. A huge expansion. That is why the deficit has come down dramatically.

Equally interesting -- and we hear this on the other side -- 'well, the tax was for wealthy people. They got the tax break.' Well, yes, that's true. But why is that? It's because the top 20% of Americans pay the taxes, for the large part. 85% of American income taxes are paid by the top 20%. 85%. 85% of American income taxes are paid by the top 20% of income receivers in our economy. If you are in the top 20%, you are paying the taxes. If there is a tax reduction, you will probably get that reduction. That's not the issue. The issue is, are the top 20% paying a fair share? Under the Clinton Administration -- and I don't think anybody on the other side will argue that the Clinton Administration was pro-high-income individual in the sense of tax policy. Under the Clinton Administration, 81% of the income taxes in America were borne by the top 20%. But under the Bush Administration, 85% of the income tax burden of America is now borne by the top 20%. So, the Bush Administration has actually made the tax laws more progressive. Why is that? Human nature. Create a fair tax policy, people will pay taxes. Have an unfair tax policy where taxes are too high, such as what is proposed by the other side of the aisle in

the area of deferral, marginal tax rates, capital gains, expensing, and on and on and on, and people do tax avoidance and invest in shelters and buy cattle that do not exist or subways that do not exist. That's inefficient for the economy and does not create jobs and it reduces revenues.

What the Bush Administration understands, what the John Kennedy Administration understood, is when you create a tax policy which is fair, high-income people pay more taxes. That's the way it is today.

There is another interesting thing about the Bush tax policy. The bottom 40%, the people in the bottom 40% of income in this country actually do not pay income taxes as a group -- individuals, obviously do -- but as a group they do not pay. Under the Clinton Administration, they would get 1.6% of benefits back because they got the earned-income tax credit. Under the Bush Administration, they are getting almost twice that back under the earned-income tax credit. So, not only do you have the high-income people paying more in taxes as a percentage of the total but you have the people in the moderate and low-income levels getting more back from the income tax system. That's called progressivity. That's what you want in a tax system. Progressivity that produces revenue, revenue at historic rates. The argument that we do not have a reasonable tax policy in place in terms of generating revenues flies in the face of fact, especially on the issue of capital gains.

And something else about capital gains and dividends, a disproportionate of those benefiting from the capital gains rate are seniors. It is seniors who have capital gains income as they sell their home which they have lived in all their life and move on to another lifestyle. Seniors have dividend income. When the folks on the other side of the aisle call for a dividends increase and a capital gains increase, they are calling for an increase on seniors. No doubt about that.

There have been other arguments made here, returning to the scene of the crime -- as I said, the Democrat budget -- there is a claim they use Pay-As-You-Go as a way to discipline spending. Pay-Go, Pay-Go, Swiss Cheese-Go should be the term. Every time they have a spending program around here that they want to spend on, Pay-Go disappears. Where did it go? I don't know, maybe under this desk or that desk. I don't know where it went but it is not around here when we try to spend money. There is no enforcement. Look at the bills that have been brought out just this year which should have been subject to Pay-Go which have not been subject to Pay-Go. Bill after bill after bill with the worst, of course, the SCHIP brought out before we departed. They are too numerous to mention anymore so let's hear no more about Pay-Go as a budget enforcement mechanism. It was a nice phrase used by those who ran in the Senate in the last election as a way to discipline spending, but it has not been used at all to discipline spending and it will not be used in the future.

We are talking about something very simple: the budget brought forward by the other side of the aisle increased taxes over what the President probably would have had to do to

address the AMT issue by \$450 billion and then spent the tax increases to the tune of somewhere around \$210 billion—plus.

Is it that they do not like revenues being at a historic high, an historic increase over the last four years and now 18.7% of gross national product, exceeding the norm? They don't like the fact that now seniors have a reasonable tax rate on their capital gains and on their dividends? Must be, because that's the economic policy they're claiming hasn't worked and isn't appropriate and therefore they're going to vote in protest against Congressman Nussle. In my view, I hope Congressman Nussle continues these policies, and I hope that the President will move down the road of fiscal discipline and will continue to give us a tax policy which is fair, balanced, reduces revenue for the federal government, gives entrepreneurs a reason to go out there and work and take risks, and thus, create jobs for Americans, and giant revenue increases for our government.

Madam President, I yield the floor. I reserve the balance of my time.